

## **NOTES TO THE ACCOUNTS** (Continued)

### **36 SIGNIFICANT RELATED PARTY TRANSACTIONS** (Continued)

- (m) On 25 June 2002, TVBI acting as an agent of LYP entered into an arrangement with MBNS for the grant of broadcast right in respect of a Mandarin language channel for the pay television services operated by MBNS and its affiliated company for the period from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. On 30 September 2004, TVBI and MBNS entered into a new agreement for the same subject matter for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by LYP for revenue generated from hotel and commercial establishments respectively. The income accrued by LYP during 2004 was HK\$23,894,000 (2003: HK\$21,767,000).
- (n) On 26 June 2002, TVB Satellite TV Entertainment Limited (“TVBSE”), a wholly owned subsidiary of the company, entered into an arrangement with MBNS for the supply of two Mandarin language channels to MBNS for broadcast on the pay television services operated by MBNS and its affiliated company from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. On 30 September 2004, TVBSE and MBNS entered into a new agreement for the same subject matter for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 February 2005, an addendum to the agreement was entered into between the parties for the increase of revenue sharing receivable by TVBSE for revenue generated from hotel and commercial establishments. The income accrued by TVBSE during 2004 was HK\$29,441,000 (2003: HK\$25,988,000).
- (o) On 8 July 2002, MBNS appointed TVBSE as its advertising agent responsible for advertisement and sponsorship sales of certain channels of MBNS in Malaysia and Brunei for the period from 16 April 2002 to 30 September 2004. On 30 September 2004, MBNS and TVBSE entered into a new agreement for the same subject matter for a period of 5 years from 1 October 2004 to 30 September 2009. The income accrued by TVBSE during 2004 was HK\$30,315,000 (2003: HK\$26,192,000).
- (p) On 19 September 2003, TVBI and ASTRO Entertainment Networks Ltd. (“AENL”), an associate of the minority shareholder of three of the company’s non-wholly owned subsidiaries, entered into a licensing agreement, pursuant to which, TVBI would license to AENL certain programmes on an exclusive basis for broadcast on free terrestrial television in Indonesia for 2 years commencing from the earlier of 1 January 2004 or when AENL was able to secure the broadcast of programmes on free terrestrial television in Indonesia prior to 1 January 2004. The income accrued by TVBI during 2004 was HK\$6,232,000 (2003: nil).
- (q) Since 1998, Galaxy has been providing TVBI, TVBSE and TVB (Australia) Pty. Ltd. (“TVBA”), all of which being wholly owned subsidiaries of the company, various uplink and playback services. The service fees paid by TVBI, TVBSE and TVBA to Galaxy during 2004 totalled HK\$40,849,000 (2003: HK\$36,599,000).
- (r) On 11 March 2004, TVBA and Celestial Television Networks Ltd. (“CTNL”), an associate of the minority shareholder of three of the company’s non-wholly owned subsidiaries, entered into an agreement, pursuant to which CTNL would licence the Celestial Movies channel to TVBA for one year from 15 March 2004 with an option to renew for a further 2 years. Under the agreement, TVBA agrees to pay a fixed unit cost per subscriber (which includes both residential and commercial subscribers) to CTNL for the Celestial Movies channel or the package of channels to which the Celestial Movies channel is included. The licence fee paid by TVBA to CTNL during 2004 was HK\$2,129,000 (2003: nil).

## **NOTES TO THE ACCOUNTS** (Continued)

### **36 SIGNIFICANT RELATED PARTY TRANSACTIONS** (Continued)

- (s) On 30 September 2004, TVBO Facilities Limited (“TVBOF”) and TVB Satellite Broadcasting Limited (“TVBSB”), both wholly owned subsidiaries of the company, entered into separate agreements with MBNS, pursuant to which MBNS appointed TVBOF and TVBSB to provide management services to MBNS for the period from 1 October 2004 to 30 September 2009 at a fixed amount for every period of 12 months. The aggregate management fee accrued by TVBOF and TVBSB during 2004 was HK\$7,595,000 (2003: nil).

Apart from the above, the other related party transactions during the year ended 31 December 2004, the amounts of which involved were not significant to the group, included:

- Rental income from leasing of facilities and office premises,
- Income from sub-licensing of news reports rights,
- Income from satellite transmission,
- Income from advertising and sponsorships,
- Expense on acquisition of film rights,
- Expense on providing maintenance services, and
- Rental expense on leasing of production spaces.

### **37 SUBSEQUENT EVENTS**

- (a) On 4 February 2005, the group entered into an agreement with the minority shareholder holding the 30% interest in LYP which is not held by the group (the “Shareholding”), under which the group agreed to acquire the Shareholding from the minority shareholder at a cash consideration of NT \$900 million (approximately HK\$220.5 million). Upon completion of the transaction, LYP will become a wholly owned subsidiary of the group. The transaction was approved by the shareholders of the company at an extraordinary general meeting held on 21 March 2005.

The consideration will be funded by internal resources or bank facilities or a combination of both.

- (b) On 23 March 2005, the company received additional profits tax assessment notices from the Inland Revenue Department for the year of assessment 1998/99. The total amount of the additional assessments of profits tax payable was HK\$80,016,415 which is based on an assessment of profits that was generated by the group’s programme licensing and distribution business carried out overseas. The company has objected to these additional assessments. The company believes that the objection is well founded, and is determined to defend the company’s position vigorously. On this basis, the company is of the view that no additional tax provision is necessary.

### **38 APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 23 March 2005.